

Top Secret

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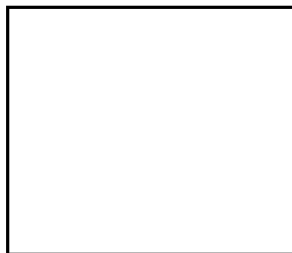
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NATIONAL INTELLIGENCE DAILY CABLE

Friday August 5, 1977 CG NIDC 77-181C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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State Dept. review completed

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National Intelligence Daily Cable for Friday, August 5, 1977.

The NID Cable is for the purpose of informing senior US officials.

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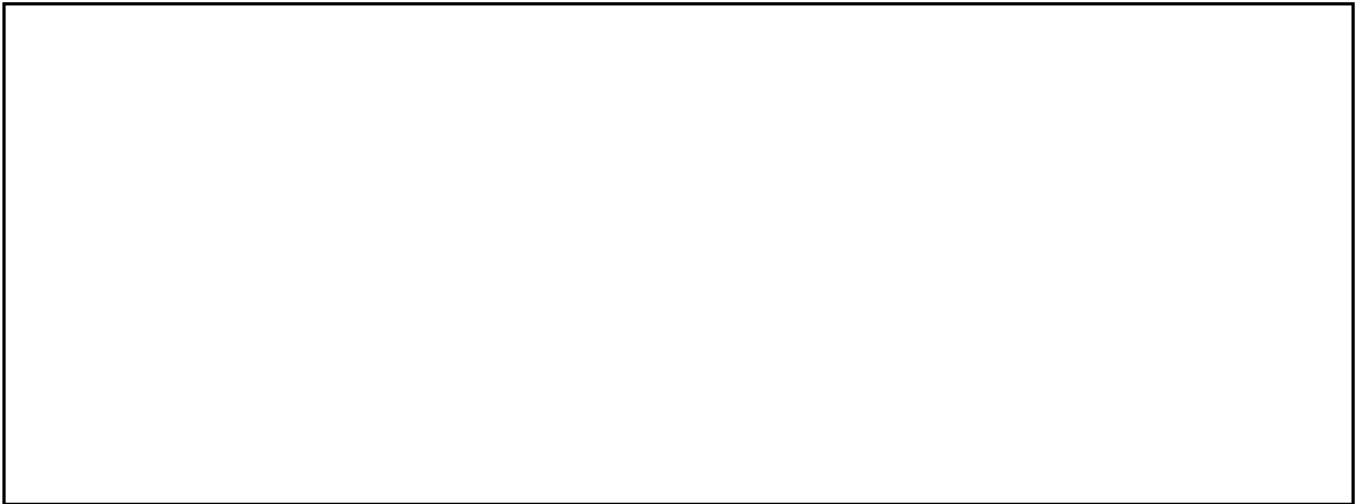
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PANAMA: Treaty Negotiations



 Torrijos and his negotiators were alternately buoyed and angered this week over the course of the talks in Washington. They apparently believe there can be an early overall solution, but they have reacted negatively to what they regard as a lack of US generosity on money issues.

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[] With regard to the issue of lands and waters that would be transferred to Panama, Torrijos at one point upbraided his negotiator for soft-line statements suggesting flexibility. If Torrijos is still dissatisfied after evaluating the entire US economic package, he could turn to this sensitive territorial issue to help justify his position and try to use it as a trade-off in further bargaining.

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[] This afternoon, the leaders of Colombia, Venezuela, Mexico, Costa Rica, and possibly Jamaica will meet at Panama's behest in Bogota, where Torrijos and his negotiators will brief them, on the details of the latest US offer. The Panamanian leader can be expected to work for a strong declaration of support, perhaps directed specifically to President Carter. Torrijos hopes a boost from the area's principal democracies will carry considerable weight with the US.

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[] Torrijos' general readiness to conclude an agreement and his preparations for a domestic campaign to ensure popular acceptance of a new treaty will not prevent him from simultaneously pursuing the now-familiar pressure campaign against the US. Similarly, there remains the possibility that the mercurial Torrijos might take a final hard stand on the US offers. During the last several weeks, he has repeatedly instructed his negotiators to remain calm and patient, reflecting his continuing belief that there is probably greater pressure on the US than on Panama to conclude the talks. []

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CHINA: US Relations

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[] *//Recent Chinese queries and statements suggest that Peking is attempting to assess the "seriousness" of Washington's desire to move toward normalizing relations during Secretary Vance's scheduled visit later this month. Chinese officials abroad and in Peking have expressed the hope that Vance will bring "concrete proposals" for improving relations, implying that the next move is up to the US. Peking also had made it clear that it expects the US proposals to deal with the Taiwan issue, the major obstacle to improved relations. Nonetheless, the Chinese do not appear to expect a major breakthrough during the Vance visit. The Chinese also are pointing out that both sides agree on the seriousness of the Soviet threat, but Peking is still concerned that the US is not facing that threat squarely.//*

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[REDACTED] //Last month, the Chinese press highlighted for the first time Peking's so-called three conditions for normalization--severance of diplomatic relations with Taipei, withdrawal of US troops from Taiwan, and abrogation of the mutual defense treaty with Taipei. According to the Chinese press report, Vice Premier Li Hsien-nien reiterated these long-standing conditions on July 4 to Admiral Elmo Zumwalt, who was visiting Peking. Li also repeated Peking's declaration that it would allow no "interference" in the Taiwan matter and described it as an "internal" Chinese problem. By placing the conditions on the public record, Peking underscored its determination to hold out for these terms in any normalization agreement.//

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[REDACTED] In a speech earlier this week commemorating the 50th anniversary of the Chinese army, Politburo member and Defense Minister Yeh Chien-ying used less militant language to reiterate Peking's determination to "liberate" Taiwan. Yeh said the Chinese would "work together with compatriots on Taiwan" to regain the island, a formulation that implies a desire for a negotiated settlement and one that had been played down for more than a year while Peking was privately emphasizing that force would be necessary.

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[REDACTED] //Some Chinese officials have also hinted that Peking is prepared to consider US proposals for resolving the impasse over Taiwan and that the Chinese will consider the proposals as a positive gesture even if they do not lead to an immediate breakthrough. For example, a top-level party leader last month said that, except for severing relations with Taipei

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and withdrawing US forces from Taiwan, all other issues between Washington and Peking are "easily negotiable."

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//Despite these relatively upbeat comments on the major stumbling block in Sino-US relations, some Chinese do not appear to be optimistic that Vance will arrive in Peking ready to proceed with "real steps" toward normalization, and some officials have even questioned whether the US is genuinely interested in progress toward that objective.//

//Although this may be little more than posturing designed to reinforce the Chinese desire for concrete proposals from the US, the Chinese also may be positioning themselves to diminish the disappointment if no progress results from the Vance visit.//

The Chinese clearly would prefer to resolve the Taiwan issue before agreeing to expand other areas of the Sino-US relationship. The signals are mixed, however, as to whether Peking would discuss significant increases in trade and cultural contacts in the absence of an agreement on Taiwan.

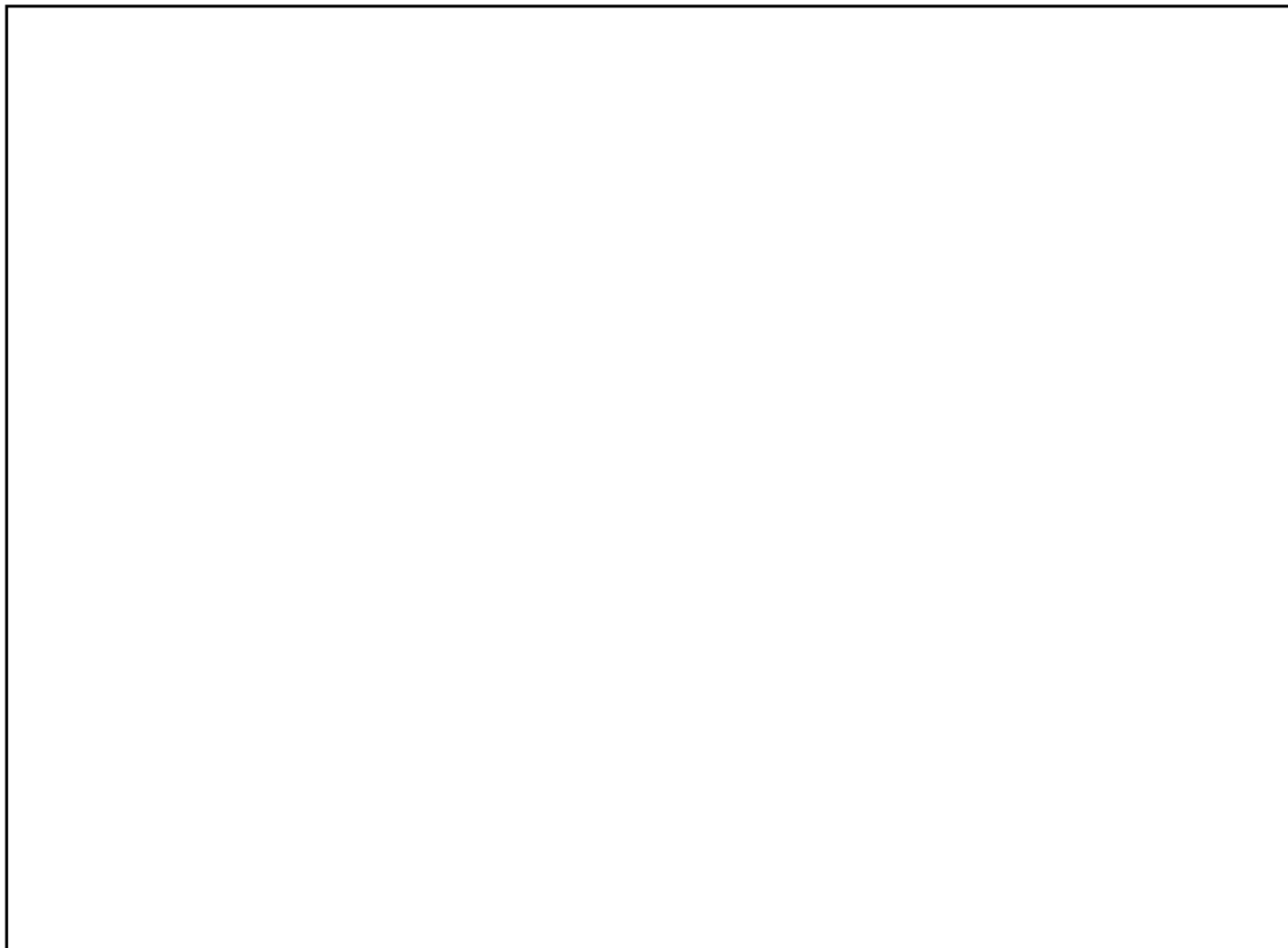
//There are fewer ambiguities about Peking's position on the US role toward the Soviet Union. The Chinese are moderately pleased by what they see as a tougher US stance toward the USSR under President Carter, especially in the most recent strategic arms limitations talks and the human rights program. Nonetheless, they remain suspicious about the US willingness to face squarely the Soviet "threat."//

//In this context, the Chinese probably will attempt to gain from Secretary Vance a reiteration of US opposition to "hegemonism," the Chinese codeword for Soviet expansionism that was cited in the Sino-US joint communique signed in 1972 during former president Nixon's visit.//

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WEST GERMANY: AWACS Carrier

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 The West Germans have said they are considering a European aircraft as an alternative carrier for NATO's Airborne early warning and control system. A West German defense official indicated Wednesday that the Ministry of Defense has added the Franco-German Airbus to its list of possible AWACS carriers. The ministry is also considering the British Nimrod and the Boeing 707.

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[] Adoption of the Airbus as the carrier would satisfy the requirements for participation in the system set forth recently by the West German opposition. According to Carl Damm, Christian Democratic military affairs expert, West German participation must depend on the ability to conduct "a candid European examination" of the available carriers and "appropriate" French participation.

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[] The French have shown considerable interest in an AWACS but have not yet agreed on how they might participate. A French official stated recently, however, that more than the use of the Franco-US CFM-56 engine on the Boeing aircraft--an earlier French suggestion--would be required to bring France into the project.

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[] //Bonn has been seeking French participation in AWACS in order to reduce the West German share of the system's costs to a level equal to that of the other major European allies and to promote closer French cooperation on European arms production and procurement projects.//

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[] //A firmer French commitment to allied efforts to develop Western Europe's defense industrial base would strengthen the Europeans in negotiations aimed at getting the US to purchase more weapons in Europe.//

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[] //Since the allied defense ministers failed to agree on an AWACS system in March, various European newspapers have been pushing US purchase of the Airbus as a major US vote of confidence in European aerospace efforts and a contribution to the so-called "two-way street" in the transatlantic arms traffic.// []

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ETHIOPIA: Situation Report

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25X1 [] //Current ELF and PLF suspicions about the EPLF mainly arise from ideological and religious differences among the groups. All the Eritrean factions are probably influenced to some extent by Marxist ideology, but EPLF leader Isaias Afework is an ideologue who wants to establish a Marxist regime in Eritrea. ELF and PLF leaders appear to favor a better balance between socialism and the maintenance of Muslim tradition, and they want close ties to the moderate Arab states.

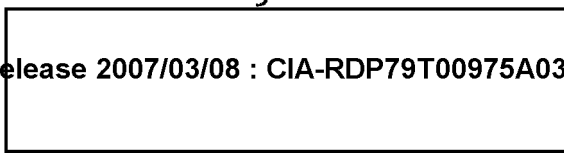
25X1 [] //Isaias is also a Christian; most other guerrilla leaders are Muslims. Personal ambitions, clashing personalities, and rivalry for foreign--particularly Arab--money and military assistance have also fueled the groups' differences.//

25X1 [] //ELF leader Ahmed Nasser and PLF leader Osman Saleh Sabbe view the EPLF as ideologically incompatible with their organizations but ideologically compatible with the leftist military regime in Addis Ababa, and the USSR.//

25X1 [] //Osman and Ahmed fear that the presumed communality of interests among the EPLF, the Ethiopians, and the Soviets will outweigh the EPLF's commitment to the Eritrean cause. They believe the USSR is interested in brokering an Ethiopian-EPLF agreement in order to secure Soviet access to Eritrea's Red Sea ports and to relieve Ethiopian Chairman Mengistu of the burden of the Eritrean conflict, which could ultimately threaten his political survival.//

25X1 [] //The Christian influence in the EPLF has also contributed to ELF and PLF suspicions that the EPLF might more easily strike a deal with the predominantly Christian Ethiopian leaders.//

25X1 [] //We believe the Ethiopians and the EPLF probably have had some contacts over the past few months. The EPLF has almost certainly sought to exploit these contacts to gain advantage over the other two factions, but we believe the odds are against the EPLF's completely abandoning the Eritrean cause



in favor of a separate peace. The EPLF is probably trying to do exactly what its rivals are attempting: to put itself in a position to emerge as the dominant force in an independent Eritrea.//

25X1 [] //The EPLF would probably accept an offer from the ruling military council in Addis Ababa for a peace settlement that would bolster the EPLF's position without sacrificing Eritrean independence. The EPLF and the council are likely to encounter serious problems in trying to work out such an agreement. Mengistu shows no signs of abandoning his commitment to keep Eritrea a part of Ethiopia.//

25X1 [] //We cannot discount, however, the possibility of a civil war developing in Eritrea. The desire of the ELF-PLF coalition and the EPLF to control Eritrea could lead to civil strife, regardless of what happens between the EPLF and the government.//

25X1 [] //The ELF-PLF coalition and the EPLF would be about evenly matched in manpower, but the EPLF is probably a more potent fighting force. Its main disadvantage is the fact that most of its military aid is funneled through the ELF and the PLF. In the event of a civil war, there could be further splits and regroupings among the three factions.//

25X1 [] //A civil war would further increase the already high tensions in the Red Sea area and invite increased foreign involvement in Eritrea. The Arab states might be able to halt the fighting at least temporarily by cutting off their military aid, but Sudan, Saudi Arabia, Egypt, and most other Arab states would want to prevent the EPLF from controlling an independent Eritrea.//

25X1 [] //If the EPLF appeared to be gaining the upper hand in a civil conflict, the moderate Arabs would probably throw their support behind the ELF and the PLF. The EPLF, if it were cut off from Arab military aid, would probably turn to the USSR for help.// []

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